

**FINANCIERA INDEPENDENCIA
3Q24 EARNINGS CONFERENCE CALL
FRIDAY OCTOBER 18th, 2024**

Company Participants

- Eduardo Messmacher, Chief Executive Officer
- José María Cid, Chief Financial Officer

Operator

Good morning everyone and welcome to Financiera Independencia's 2024 Third Quarter Results Conference Call. My name is [*], and I will be your operator for today's call. At this time, all participants are in a listen only mode. After the speakers' remarks, there will be a question-and-answer session.

(OPERATOR INSTRUCTIONS)

As a reminder, this video conference is being recorded. Joining us today from Financiera Independencia is Mr. Eduardo Messmacher, Chief Executive Officer, and Mr. Jose Maria Cid, Chief Financial Officer. I would now like to turn the call over to Mr. Jose Maria Cid.

Mr. Cid, you may begin.

Jose Maria Cid - Financiera Independencia – Chief Financial Officer

Good morning. Thank you for joining FINDEP's Third Quarter Results 2024 conference call.

We published these results yesterday, which are available on our Investor Relations website, FINDEP.MX

I would like to remind you that the information shared during this conference call may include forward-looking statements, and as such, are subject to assumptions, uncertainties, risks, and other factors that could cause actual results to differ materially from those described, including risks that may be beyond the Company's control.

Now, I will turn the call over to Eduardo Messmacher.

Eduardo Messmacher – Financiera Independencia – CEO

Thank you, Jose Maria. Good morning everyone.

I will start with some highlights from our 3Q24 operations:

- Reported Net Profit for the quarter reached 198 million pesos, another quarter of strong results, 21% higher YoY and the highest third quarter in the Company's history.
- The top line is strong with Interest Income up 6% from prior year and operating expenses well controlled. Costs as a percentage of average portfolio improved to 31% and the quarter ending portfolio balance increased 7% versus the prior year and 2% under constant FX.
- Liquidity is strong with cash at \$821 million pesos with Net debt decreasing 11% YoY.
 - Additionally, two weeks ago, the Company announced that it expanded its credit line with Nacional Financiera, Development Banking Institution, from 750 million pesos to 1.05 billion pesos and increased the credit line to Apoyo Economico Familiar from 500 million pesos to 800 million pesos.
 - This increase in lines reflects the proactivity and strength of the Company's strategy as well as the confidence of the Company's lenders, despite market challenges.
- Our equity-to-asset ratio increased to 52% at quarter end, 7.1 percentage points above the same time last year.

Our portfolio based in Mexico grew approximately 5% YoY and our US portfolio declined 2% YoY in dollars terms.

In 3Q24 loan origination was \$1.3 billion pesos, an increase of 11% compared with last year or an increase of 6% under a constant FX. Compared to the prior quarter total loan originations decreased 3% with originations in Mexico decreasing 3% and those in the US decreasing 11% in dollar terms. The change in each of the portfolio's origination activities in the quarter reflects our responsiveness to prevailing market and macroeconomic conditions.

The consolidated NPL ratio, measured as Stage 3 loan portfolio over the total portfolio, was at 5.8% in 3Q24 versus 5.7% in the prior quarter and improving 70 basis points against the prior year.

Findep's write-offs amounted to 349 million pesos in the quarter, increasing 10% from the prior quarter but declining 9% from the prior year. Compared to the average portfolio, trailing twelve months' write-offs decreased from 20 to 18% YoY.

NPLs plus trailing twelve-month write-offs over the total loan portfolio including trailing twelve month write-offs was 20% compared with 22% in the prior year.

Now I would like to share some performance highlights from each of our businesses during the quarter.

- *Independencia* represents 35% of the total portfolio and its portfolio grew 3% YoY, with Net Interest income also increasing 3%.
- *Apoyo Economico Familiar* represents 27% of the total portfolio and experienced growth of 7% YoY with Net Interest Income growing 5% versus the prior year.
- *Apoyo Financiero* represents 38% of the total portfolio increasing 10% YoY in pesos, down 2% in dollars. Net Interest Income increased 3% in dollars versus the prior year.

We are pleased with this quarter's strong results, underpinned by consistent execution of our strategy.

Our strong and consistent operational efficiency continues to be led by our focus on digital transformation priorities across processes and workstreams. This focus continues to drive both the quality of the service we can provide to our customers and of our results.

I'll now hand over the discussion to Jose Maria who will provide additional details of our results.

Jose Maria Cid – Financiera Independencia – CFO

Thank you, Eduardo.

In 3Q24 Interest Income was \$1.3 billion pesos, an increase of 6% YoY with a 7% increase in the loan portfolio or 2% under constant FX.

Interest expense of \$152 million pesos increased 8% YoY, supporting portfolio growth as we continue to proactively manage outstanding indebtedness.

Net Interest Income of \$1.12 billion pesos, increased 6% YoY.

The Provision for Loan Losses or PLL, was \$389 million pesos in 3Q24, 16% higher compared to the prior quarter, and 9% higher versus the prior year. PLL to average loans was at 19%, an improvement of 180 basis points from the prior quarter and 80 basis points from the prior year.

Non-interest expenses were \$633 million pesos in 3Q24, 2% down from the prior quarter and 31% as a percentage of the average portfolio, reflecting continued discipline and control in managing the expense base.

Interest bearing liabilities are down 20% YoY, or 23% under constant FX, compared to a 7% increase in the loan portfolio (2% under constant FX). Compared to the prior quarter, interest bearing liabilities have decreased 3%, 6% under constant FX.

The Company maintains a strong financial position with Cash and Cash Equivalents at \$821 million pesos or 7% of Total Assets, and a Solvency Ratio (Equity to Total Assets) of 52%, improving 7.1 percentage points from the prior year and 1 percentage point higher than the prior quarter.

Net debt, measured as interest bearing liabilities minus cash and cash equivalents of \$3 billion pesos at the end of the quarter, was down \$383 million pesos or 11% from the prior year, a 16% decline under a constant FX rate, reflecting prudent portfolio and debt management. On a sequential basis, net debt decreased \$111 million pesos.

Our operating cash flow during 3Q24 was \$711 million pesos.

The Company's Coverage Ratio was 229%, measured as Allowances for Loan Losses over Stage 3 Loans, flat to the prior quarter and 204% in the prior year.

The Company's Return on Equity ratio for the quarter was 13.7%, increasing 70 basis points from the prior year, and the Return on Assets ratio was 7.1% increasing 110 basis points from the prior year. When considering Tangible Equity for the quarter, it marginally increased to 17.6% vs 17.0% in the prior year.

Overall, the Company again delivered strong and consistent results in the quarter and prudently managed changes in the portfolio.

Operator, we'd like to open the call for questions at this time.

Jose Maria Cid - Financiera Independencia – CFO

Thank you very much for your time and interest in Financiera Independencia. My contact information is available on our website at FINDEP.MX, if you have any further questions.

Have a great day.

- THE END –